



NISSAN NORTH AMERICA, INC.
983 Nissan Drive
Smyrna, TN 37167-4000
Telephone: 615.459.1400
Fax: 615.459.1554

November 9, 2006

VIA U.S. MAIL

Delphi Saginaw Steering Systems
Post Office Box 78070
Detroit, Michigan 48278

Official Committee of Unsecured Creditors
c/o Latham & Watkins

Re: Nissan North America, Inc. – request for setoff

Ladies and Gentlemen:

By this letter (the "Request"), Nissan North America, Inc. ("Nissan") is requesting authority to exercise setoff in the amount of \$33,382.11 against Delphi Saginaw Steering Systems ("Delphi") on account of a certain pre-petition debit memo number DM0000663068 (the "Debit Memo"). In light of Delphi's bankruptcy pending in the United States Bankruptcy Court for the Southern District of New York, Case No. 05-44481-RDD (Jointly Administered), such Request is being made in accordance with the that certain Final Order Under 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and Fed R. Bankr. P. 2002, 4001 and 9014, (i) Authorizing Debtors to Obtain Postpetition Financing, (ii) to Utilize Cash Collateral, and (iii) Granting Adequate Protection to Prepetition Secured Parties, which was entered on October 28, 2005 (the "Order"), including those procedures set forth in paragraph 18 of the Order (the "Procedures").

The Procedures require this written Request, the basis for Nissan's Setoff Right (as defined in the Order), and "reasonably detailed documentation" supporting Nissan's Setoff Right. Regarding the factual basis for Nissan's Setoff Right, Nissan and Delphi have a long-standing business relationship (the "Relationship"), including without limitation the terms and conditions contained in that certain Master Purchase Agreement between the parties, whereby Nissan orders from Delphi certain gear assemblies and other parts, as well as service parts for certain past models (collectively, the "Component Parts") for various models, including the Frontier and Xterra models. In connection with the Relationship, Nissan incurs certain costs (the "Warranty Costs") associated with remediating the failure of Component Parts which were warranted and supplied by Delphi. In the ordinary course of business, Nissan submits debit memos to Delphi detailing such

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amounts and Delphi reimburses Nissan for the Warranty Costs. The amounts included on the Debit Memo (the "Setoff Amounts") reflect the Warranty Costs that have been identified to date as having been incurred up to October 8, 2005 (the "Petition Date").

As of the Petition Date, Nissan owed certain amounts to Delphi on account of the Relationship, which amount was primarily due to Component Parts that were ordered by Nissan prior to the Petition Date. At the request of Delphi, Nissan made payments of \$65,475.00 and \$216,067.50 on November 23, 2005 and March 16, 2006, respectively, on account of such amounts and reserved Nissan's rights to setoff or recoupment with respect to such payments, as provided for under the Procedures. At present, Nissan continues to order Component Parts from Delphi in accordance with the Relationship.

Regarding the legal basis for Nissan's Setoff Right, section 553 of the Bankruptcy Code recognizes the common law right of setoff where the following four conditions exist, all of which exist in this case:

- 1) the creditor holds a claim against the debtor that arose before the commencement of the bankruptcy case – Nissan's claims for the Setoff Amounts against Delphi arose prior to the Petition Date.
- 2) the creditor owes a debt to the debtor that also arose before the commencement of the bankruptcy case – Nissan owes Delphi for Component Parts that were delivered prior to the Petition Date.
- 3) the claim and the debt are mutual – Nissan buys Component Parts from Delphi Saginaw Steering Systems and Delphi Saginaw Steering Systems reimburses Nissan on account of Warranty Costs.
- 4) the claim and the debt are each valid and enforceable – the Warranty Costs incurred by Nissan are valid and enforceable against Delphi under the Relationship and Delphi is entitled to payment from Nissan on account of Component Parts ordered by Nissan. *See Lowry v. Hawes*, 57 Tenn. 688, 691 (Tenn. 1873).

Accordingly, based on the foregoing and pursuant to the Procedures, Nissan seeks authority to offset Delphi's obligation to pay the Debit Memo in the amount of \$33,382.11 against Nissan's obligation to pay future postpetition receivables to Delphi.

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Regarding the documentation requirement of the Procedures, Nissan submits the Debit Memo, along with the itemization of warranty refunds associated with claims related to the Frontier model, the provision of service parts, and the Xterra model. Such information is as detailed as would be provided for resolving offsets in the ordinary course of business under the Relationship outside of the bankruptcy context. In light of the stated goal of the Procedures to allow ordinary course transactions to continue in the ordinary course but subject to the constrictions of the Bankruptcy Code, Nissan submits that the documentation provided is "reasonably detailed," as it specifically identifies each Warranty Cost by occurrence.

In addition, Nissan reserves its rights under the Procedures and the Order with respect to Nissan's Setoff Right and any other obligations from Nissan to Delphi that may be subsequently discovered or identified, arise, mature, ripen, become certain, fixed, determined or liquidated, and/or that relate in any way to the Relationship prior to the Petition Date (collectively, the "Reserved Setoff Rights"). In no way is allowance of the setoff requested herein, or exercise thereof, a waiver or relinquishment of Nissan's Reserved Setoff Rights.

If you have any questions regarding this matter, please do not hesitate to have your attorneys contact our attorneys, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, (Attn: Michael R. Paslay, Esq.). Thank you for your attention to this matter.

Sincerely,

NISSAN NORTH AMERICA, INC.

By: 

Title: Senior Manager Finance

Enclosures

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cc: Skadden, Arps, Slate, Meagher & Flom LLP
Attorneys for Delphi Corporation, et al.
333 West Wacker Drive
Chicago, Illinois 60606
Attn: John Wm Butler, Jr., Esq.

Shearman & Sterling LLP
Special Counsel to Delphi Corporation, et al.
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Attn: Douglas P. Bartner, Esq.

Davis Polk & Wardwell
Attorneys for the Postpetition Lending Agent and the Joint Lead Arrangers
450 Lexington Avenue,
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Attn: Donald S. Bernstein, Esq.

Simpson Thacher & Bartlett LLP
Attorneys for Prepetition Agent
425 Lexington Avenue,
New York, New York 10017
Attn: Kenneth S. Ziman, Esq., and Robert H. Trust, Esq.

Latham & Watkins LLP
Attorneys for Official Committee of Unsecured Creditors
885 Third Avenue, Suite 1000
New York, New York 10022
Attn: Robert J. Rosenberg, Esq.

Office of the United States Trustee for the Southern District of New York
In re Delphi Corporation, et al.
33 Whitehall Street, 21st Floor
New York, New York 10004
Attn: Deirdre A. Martini, Esq.

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NISSAN NORTH AMERICA, INC.

SMYRNA, TENNESSEE 37167

Debit Memo

(815) 459-1400

Debit Memo Number	Date	SAP Document	Supplier Code
DM0000663068	10/10/2005	2177 1700038373 2005	3109951

DELPHI SAGINAW STEERING SYSTEMS
ATTN: ED LAPAN
3900 HOLLAND ROAD
SAGINAW MI 48601
USA

Shipment Number	Ship Date

Nissan Contact
SANDRA SETTLE 615-355-2266

Warranty charges for claim month September warranty report dated 10/10/2005 .
Please contact Sandra Settle 615-355-2266 for details concerning this debit.
If there is no response from your company within thirty(30) days of this letter, we
assume the charges are acceptable.

PO Number	Part Number	Quantity	Description	Amount
	Warranty Refund - Frontier Claims			16,831.77
	Warranty Refund - Service Parts Claims			729.62
	Warranty Refund - Xterra Claims			15,820.72
	Total (USD)			33,382.11

IT022

Prepared By

ACCOUNTS PAYABLE
Original Copy

35,382.11